

SEWARD COUNTY, KANSAS

AUDIT REPORT

For the year ended December 31, 2010

SEWARD COUNTY, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2010

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SEWARD COUNTY, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Seward County Commissioners
Liberal, Kansas 67901

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Seward County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Southwest Medical Center (a discretely presented component unit), which represents 100% of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southwest Medical Center (a discretely presented component unit), is based on the report of the other auditors.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 on our consideration of Seward County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Seward County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hay•Rice & Associates, Chartered

September 23, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Seward County Commissioners
Liberal, Kansas 67901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of and for the year ended December 31, 2010, which collectively comprise Seward County's basic financial statements and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seward County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seward County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Seward County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

2010-1. Financial Statement Preparation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

2010-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seward County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

We noted certain other matters that we reported to management of Seward County, Kansas in a separate letter dated September 23, 2011.

Seward County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Seward County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Seward County Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

September 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Seward County, we offer readers of Seward County's financial statements this overview and analysis of the financial activities of Seward County for the fiscal year ended December 31, 2010. Please read this report in conjunction with the County's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of Seward County exceeded its liabilities at the close of 2010 by \$26,266,978 (net assets). Of this amount, \$6,096,734 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Seward County's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Seward County's finances, in a manner similar to private-sector business, and can be found on pages 1 – 5 of this report.

The statement of net assets presents information on all of Seward County's assets (what the citizens own) and liabilities (what the citizens owe), with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Seward County is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in the County's property tax base, and the condition of the County's capital assets (highways, roads, bridges and buildings) to assess the overall health of the County.

The statement of activities presents information showing how Seward County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Seward County that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Seward County include general government, public safety, natural resources, educational, health and sanitation, social services, culture and recreation, transportation and debt service. The business-type activity of Seward County is the landfill.

The government-wide financial statements include not only Seward County itself but also a legally separate hospital, combined under one column heading of “Component Units.” This entity has a Board appointed by the Seward County Commission. The Commission must also approve bond issuances by the entity. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements may be obtained at the Administrative Office for the Southwest Medical Center at 315 W. 15th in Liberal, Kansas.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Seward County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Seward County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the County’s major funds begins on page 6. Kansas State law requires certain funds at a minimum. The Seward County Commission has established other funds to help it control and manage money for particular purposes (Ex. Planning & Zoning Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (Ex. County Sales Tax Funds). The County’s two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps to determine the amount of financial resources that are currently available in the near future to finance the County’s programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This presentation should allow the readers to better understand the long-term impact of the government’s current financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the governmental activities reporting.

Seward County maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered its major fund. Data from the other 15 governmental funds are combined into a single, aggregate presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 58 – 61.

The basic governmental fund financial statements can be found on pages 6 – 11 of this report.

Proprietary Funds

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. Seward County uses an enterprise fund to account for charging customers for the full cost of the services it provides at the landfill, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 12 – 14 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because those funds resources are not available to support Seward County's programs. The accounting for the fiduciary funds is similar to that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on page 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 16 – 51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Seward County's compliance with its annually appropriated budget for the general fund. This required supplementary information can be found on pages 52 – 56 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The combined and the individual fund statements and schedules can be found on pages 57 – 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously referenced in this analysis, the net assets may serve as an indicator of the government's financial position. In Seward County, assets exceeded liabilities by \$26,266,978 at the close of 2010.

The largest portion of Seward County's net assets, or 69%, reflects its investment in capital assets such as land, highways, roads, bridges, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. Seward County uses these capital assets to provide

services to citizens. It is important to note that these assets are not available for future spending. Although Seward County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

Seward County's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$16,322,344	\$16,778,468	\$ 2,699,329	\$ 3,047,929	\$19,021,673	\$19,826,397
Capital assets	<u>19,009,791</u>	<u>17,745,310</u>	<u>3,678,303</u>	<u>3,384,089</u>	<u>22,688,094</u>	<u>21,129,399</u>
Total Assets	<u>\$35,332,135</u>	<u>\$34,523,778</u>	<u>\$ 6,377,632</u>	<u>\$ 6,432,018</u>	<u>\$41,709,767</u>	<u>\$40,955,796</u>
Long-term liabilities	\$ 516,031	\$ 577,806	\$ 2,936,397	\$ 2,805,738	\$ 3,452,428	\$ 3,383,544
Other liabilities	<u>10,598,561</u>	<u>10,911,389</u>	<u>345,793</u>	<u>393,885</u>	<u>10,944,354</u>	<u>11,305,274</u>
Total Liabilities	<u>\$11,114,592</u>	<u>\$11,489,195</u>	<u>\$ 3,282,190</u>	<u>\$ 3,199,623</u>	<u>\$14,396,782</u>	<u>\$14,688,818</u>
Net Assets:						
Invested in capital assets, net of related debt	\$18,903,824	\$17,745,310	\$ 499,289	\$ 285,606	\$19,403,113	\$18,030,916
Restricted	251,623	476,484	1,571,930	1,662,844	1,823,553	2,139,328
Unrestricted	<u>5,062,096</u>	<u>4,812,789</u>	<u>1,024,223</u>	<u>1,283,945</u>	<u>6,086,319</u>	<u>6,096,734</u>
Total Net Assets	<u>\$24,217,543</u>	<u>\$23,034,583</u>	<u>\$ 3,095,442</u>	<u>\$ 3,232,395</u>	<u>\$27,312,985</u>	<u>\$26,266,978</u>

Governmental activities decreased Seward County's net assets by \$1,182,960 and business-type activities increased Seward County's net assets by \$136,953 as a result of the key elements, as follows:

Seward County's Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,447,541	\$ 1,463,090	\$ 2,446,596	\$ 2,793,528	\$ 3,894,137	\$ 4,256,618
Operating grants and contributions	592,274	650,004	-	-	592,274	650,004
General Revenues:						
Property taxes	8,369,831	9,191,572	-	-	8,369,831	9,191,572
Other taxes	3,988,293	3,789,042	-	-	3,988,293	3,789,042
Other	<u>497,581</u>	<u>447,422</u>	<u>40,358</u>	<u>50,265</u>	<u>537,939</u>	<u>497,687</u>
Total Revenues	<u>\$14,895,520</u>	<u>\$15,541,130</u>	<u>\$ 2,486,954</u>	<u>\$ 2,843,793</u>	<u>\$17,382,474</u>	<u>\$18,384,923</u>
<u>Expenses</u>						
General Government	\$ 7,209,489	\$ 6,713,036	\$ -	\$ -	\$ 7,209,489	\$ 6,713,036
Public Safety	3,648,785	3,975,587	-	-	3,648,785	3,975,587
Transportation	2,608,582	2,652,069	-	-	2,608,582	2,652,069
Natural Resources	383,964	340,761	-	-	383,964	340,761
Health and Sanitation	2,059,042	1,913,294	-	-	2,059,042	1,913,294
Social Services	349,152	411,426	-	-	349,152	411,426
Culture and Recreation	749,714	716,382	-	-	749,714	716,382
Landfill	-	-	2,472,392	2,671,252	2,472,392	2,671,252
Interest expense	<u>4,838</u>	<u>1,535</u>	<u>33,108</u>	<u>35,588</u>	<u>37,946</u>	<u>37,123</u>
Total Expenses	<u>\$17,013,566</u>	<u>\$16,724,090</u>	<u>\$ 2,505,500</u>	<u>\$ 2,706,840</u>	<u>\$19,519,066</u>	<u>\$19,430,930</u>

Increase (Decrease) in Net Assets	\$ (2,118,046)	\$ (1,182,960)	\$ (18,546)	\$ 136,953	\$ (2,136,592)	\$ (1,046,007)
Net Assets, January 1	26,335,589	24,217,543	3,038,534	3,095,442	29,374,123	27,312,985
Prior period adjustment	-	-	75,454	-	75,454	-
Net Assets, December 31	<u>\$24,217,543</u>	<u>\$23,034,583</u>	<u>\$ 3,095,442</u>	<u>\$ 3,232,395</u>	<u>\$27,312,985</u>	<u>\$26,266,978</u>

The Statement of Activities format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance, as expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Seward County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Seward County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Seward County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

As of the end of the current fiscal year, Seward County's governmental funds reported combined ending fund balances of \$5,289,273, or decrease of \$24,446 from the preceding year.

Approximately \$5,289,273 is available for spending at the government's discretion.

Proprietary Funds

Seward County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary fund were \$1,283,945.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2010, the County Commission did not amend the general fund budget. The general fund revenue was under the total budgeted amount by \$180,188 and the general fund expenditures were under the budgeted amount by \$894,115, which gives an overall favorable amount of \$713,927.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year ended December 31, 2010, the County had \$89,747,174 invested in capital assets including equipment, buildings, roads and landfill. (See Table below.)

	Seward County's Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	\$ 585,193	\$ 585,193	\$ 91,844	\$ 91,844	\$ 677,037	\$ 677,037
Buildings	14,570,821	15,099,348	631,742	631,742	15,202,563	15,731,090
Improvements	-	-	3,648,792	3,648,792	3,648,792	3,648,792
Equipment	14,309,780	14,397,376	6,119,926	6,466,071	20,429,706	20,863,447
Highways and roads	48,826,808	48,826,808	-	-	48,826,808	48,826,808
Subtotal - Undepreciated cost	\$ 78,292,602	\$ 78,908,725	\$ 10,492,304	\$ 10,838,449	\$ 88,784,906	\$ 89,747,174
Accumulated depreciation and amortization	(59,282,811)	(61,163,415)	(6,814,001)	(7,454,360)	(66,096,812)	(68,617,775)
Total	\$ 19,009,791	\$ 17,745,310	\$ 3,678,303	\$ 3,384,089	\$ 22,688,094	\$ 21,129,399

Additional information on Seward County's capital assets can be found in Note 2D on pages 38 – 42 of this report.

Long-Term Debt

At the end of 2010, Seward County had contracts and capital lease payable of \$2,990,053. Additional long-term debt information can be found in Note 2D on pages 42 – 47 of this report.

	Seward County's Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Contracts	\$ -	-	\$ 2,455,578	\$ 2,376,839	\$ 2,455,578	\$ 2,376,839
Capital leases & temporary notes	25,947	-	396,003	613,214	421,950	613,214
Total	\$ 25,947	-	\$ 2,851,581	\$ 2,990,053	\$ 2,877,528	\$ 2,990,053

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Seward County raised its 2011 budgeted mill levy for 2010 property taxes by 6.190 mills and increased property taxes by \$378,445.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County Administrator's office, Seward County, 515 North Washington, Liberal, Kansas 67901.

SEWARD COUNTY, KANSAS

BASIC FINANCIAL STATEMENTS

December 31, 2010

SEWARD COUNTY, KANSAS

STATEMENT OF NET ASSETS

December 31, 2010

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
ASSETS				
Current Assets				
Cash, including time deposits	\$ 6,076,729	\$ 1,056,226	\$ 7,132,955	\$ 1,418,895
Taxes receivable	10,225,255	-	10,225,255	-
Accounts receivable (net)	442,446	328,859	771,305	5,918,109
Inventory	12,654	-	12,654	1,246,458
Assets limited as to use	-	-	-	792,055
Estimated third-party settlements	-	-	-	201,034
Other receivables	-	-	-	90,366
Prepaid expenses	-	-	-	1,177,654
Total current assets	\$ 16,757,084	\$ 1,385,085	\$ 18,142,169	\$ 10,844,571
Noncurrent Assets				
Restricted Assets:				
Cash, including time deposits	\$ 21,384	\$ 1,645,534	\$ 1,666,918	\$ -
Notes receivable	-	17,130	-	-
Internally designated	-	-	-	14,629,506
Under indenture agreements-held by trustee	-	-	-	16,932,460
By contributors and grantors for capital acquisitions	-	-	-	196,849
Less – Amounts required to meet current obligations	-	-	-	(792,055)
Total restricted assets	\$ 21,384	\$ 1,662,844	\$ 1,684,228	\$ 30,966,760
Other Assets:				
Deferred financing costs, less accumulated amortization of \$11,207	-	-	-	\$ 342,415
Capital Assets:				
Land	\$ 585,193	\$ 91,844	\$ 677,037	\$ 43,012
Buildings	15,099,348	631,742	15,731,090	23,992,860
Improvements other than buildings	-	3,648,792	3,648,792	903,176
Machinery, equipment, furniture and fixtures	14,397,376	6,466,071	20,863,447	28,809,112
Highways	48,826,808	-	48,826,808	-
Construction in progress	-	-	-	2,561,419
Less – Accumulated depreciation	(61,163,415)	(4,555,060)	(65,718,475)	(44,441,516)
Accumulated amortization	-	(2,899,300)	(2,899,300)	-
Total noncurrent assets	\$ 17,745,310	\$ 3,384,089	\$ 21,129,399	\$ 11,868,063
Total Assets	\$ 34,523,778	\$ 6,432,018	\$ 40,955,796	\$ 54,021,809

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 1

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Units</u>
	<u>Activities</u>	<u>Activities</u>		
LIABILITIES				
<u>Current Liabilities</u>				
Accounts payable	\$ 474,072	\$ 101,140	\$ 575,212	\$ 1,357,547
Construction costs payable	-	-	-	415,748
Accrued interest payable	-	-	-	305,466
Other accrued liabilities	-	-	-	76,470
Accrued wages and benefits	212,062	-	212,062	586,297
Accrued compensated absences	-	-	-	586,213
Advances from third-party payors	-	-	-	277,485
Capital lease obligations – Current	-	292,745	292,745	-
Current maturities of long-term debt	-	-	-	170,000
Deferred revenue	<u>10,225,255</u>	<u>-</u>	<u>10,225,255</u>	<u>-</u>
Total current liabilities	<u>\$10,911,389</u>	<u>\$ 393,885</u>	<u>\$11,305,274</u>	<u>\$ 3,775,226</u>
<u>Noncurrent Liabilities</u>				
Contracts payable	\$ -	\$2,376,839	\$ 2,376,839	\$ -
Accrued compensated absences	577,806	108,430	686,236	-
Long-term debt	-	-	-	17,111,698
Lease payable	<u>-</u>	<u>320,469</u>	<u>320,469</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 577,806</u>	<u>\$2,805,738</u>	<u>\$ 3,383,544</u>	<u>\$17,111,698</u>
Total Liabilities	<u>\$11,489,195</u>	<u>\$3,199,623</u>	<u>\$14,688,818</u>	<u>\$20,886,924</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$17,745,310	\$ 285,606	\$18,030,916	\$ 8,911,129
Restricted for:				
Debt service	-	-	-	1,489,472
Capital acquisitions	-	-	-	1,241,741
Other purposes	476,484	1,662,844	2,139,328	-
Unrestricted	<u>4,812,789</u>	<u>1,283,945</u>	<u>6,096,734</u>	<u>21,492,543</u>
Total Net Assets	<u>\$23,034,583</u>	<u>\$3,232,395</u>	<u>\$26,266,978</u>	<u>\$33,134,885</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 2

STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government:								
County Administration	\$ 146,301	\$ -	-	-	\$ (146,301)	-	\$ (146,301)	-
County Commissioners	90,440	-	-	-	(90,440)	-	(90,440)	-
County Counselor	84,009	-	-	-	(84,009)	-	(84,009)	-
County Clerk	156,875	-	-	-	(156,875)	-	(156,875)	-
County Treasurer	199,914	258,834	-	-	58,920	-	58,920	-
County Attorney	618,567	-	-	-	(618,567)	-	(618,567)	-
Planning Board	81,548	13,262	-	-	(68,286)	-	(68,286)	-
Register of Deeds	137,769	218,387	-	-	80,618	-	80,618	-
Clerk of District Court	411,581	-	-	-	(411,581)	-	(411,581)	-
Courthouse General	1,184,002	-	-	-	(1,184,002)	-	(1,184,002)	-
Election	67,456	-	-	-	(67,456)	-	(67,456)	-
Employees' Benefits	2,605,043	-	-	-	(2,605,043)	-	(2,605,043)	-
County Appraiser	269,233	-	-	-	(269,233)	-	(269,233)	-
Human Resources	105,932	-	-	-	(105,932)	-	(105,932)	-
Information Technology	195,546	-	-	-	(195,546)	-	(195,546)	-
GIS	54,813	-	-	-	(54,813)	-	(54,813)	-
Reserve for claims	292,104	-	-	-	(292,104)	-	(292,104)	-
Total general government	\$ 6,701,133	\$ 490,483	-	-	\$ (6,210,650)	-	\$ (6,210,650)	-
Public Safety:								
Sheriff	\$ 1,312,323	\$ 4,064	\$ 23,286	-	\$ (1,284,973)	-	\$ (1,284,973)	-
Civil Defense	149,109	111,106	-	-	(38,003)	-	(38,003)	-
Emergency Preparedness	127,455	-	170,280	-	42,825	-	42,825	-
Jail	1,556,663	80,206	-	-	(1,476,457)	-	(1,476,457)	-
Joint Communications	235,741	-	-	-	(235,741)	-	(235,741)	-
Rural Fire	375,250	-	-	-	(375,250)	-	(375,250)	-
Juvenile Detention	220,581	-	-	-	(220,581)	-	(220,581)	-
Total public safety	\$ 3,977,122	\$ 195,376	\$193,566	-	\$ (3,588,180)	-	\$ (3,588,180)	-
Natural Resources:								
Soil Conservation	\$ 49,064	\$ -	-	-	\$ (49,064)	-	\$ (49,064)	-
County Extension	125,700	-	-	-	(125,700)	-	(125,700)	-
Noxious Weed	165,997	74,790	-	-	(91,207)	-	(91,207)	-
Total natural resources	\$ 340,761	\$ 74,790	-	-	\$ (265,971)	-	\$ (265,971)	-

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 2
(Continued)STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government (Continued):								
Governmental Activities (Continued):								
Health and Sanitation:								
Coroner	\$ 33,875	\$ -	\$ -	-	\$ (33,875)	-	\$ (33,875)	-
Emergency Medical Service	544,508	364,476	-	-	(180,032)	-	(180,032)	-
Health	1,017,798	210,301	438,435	-	(369,062)	-	(369,062)	-
Mental Health	105,200	-	-	-	(105,200)	-	(105,200)	-
Developmental Disabled	167,000	-	-	-	(167,000)	-	(167,000)	-
Cemetery	44,913	16,550	-	-	(28,363)	-	(28,363)	-
Total health and sanitation	\$ 1,913,294	\$ 591,327	\$ 438,435	-	\$ (883,532)	-	\$ (883,532)	-
Social Services:								
Adolescent support	\$ 329,635	-	-	-	\$ (329,635)	-	\$ (329,635)	-
SKADAF	62,000	-	-	-	(62,000)	-	(62,000)	-
Veterans	19,791	-	-	-	(19,791)	-	(19,791)	-
Total social services	\$ 411,426	-	-	-	\$ (411,426)	-	\$ (411,426)	-
Culture and Recreation:								
Historical Museum	\$ 80,000	\$ -	\$ -	-	\$ (80,000)	-	\$ (80,000)	-
Council on Aging	316,679	-	-	-	(316,679)	-	(316,679)	-
Fair	54,785	-	-	-	(54,785)	-	(54,785)	-
Special Parks and Recreation	4,732	-	4,732	-	-	-	-	-
Activity Center	260,186	111,114	-	-	(149,072)	-	(149,072)	-
Total culture and recreation	\$ 716,382	\$ 111,114	\$ 4,732	-	\$ (600,536)	-	\$ (600,536)	-
Transportation:								
Maintenance	\$ 2,652,069	-	\$ 13,271	-	\$ (2,638,798)	-	\$ (2,638,798)	-
Other:								
Employee Committee	\$ 11,903	-	-	-	\$ (11,903)	-	\$ (11,903)	-
Total governmental activities	\$16,724,090	\$1,463,090	\$650,004	-	\$ (14,610,996)	\$ -	\$ (14,610,996)	-
Business-Type Activities:								
Landfill	2,706,840	2,793,528	-	-	-	86,688	86,688	-
Total Primary Government	\$19,430,930	\$4,256,618	\$650,004	-	\$ (14,610,996)	\$ 86,688	\$ (14,524,308)	-

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 2
(Continued)STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Component Units:								
Southwest Medical Center	\$40,580,698	\$40,830,718	\$ 56,558	\$ 84,970	-	-	-	\$ 391,548
General Revenues:								
Ad valorem property tax					\$ 9,087,389	\$ -	\$ 9,087,389	\$ -
Back tax collections					104,183	-	104,183	-
Interest on delinquent taxes					120,645	-	120,645	-
Motor vehicle tax					487,844	-	487,844	-
Private club liquor tax					7,099	-	7,099	-
Local sales tax					1,527,057	-	1,527,057	-
Gasoline tax					621,398	-	621,398	-
Health initiatives sales tax					1,008,602	-	1,008,602	-
Proration					13,339	-	13,339	-
Severance tax					137,042	-	137,042	-
Diversion fees					66,865	-	66,865	-
County equalization					19,376	-	19,376	-
Royalty and lease income					14,877	-	14,877	-
Miscellaneous					71,528	31,077	102,605	-
Interest					134,531	19,188	153,719	-
Gain or (loss) on disposal of assets					(3,739)	-	(3,739)	-
Transfers in (out)					10,000	-	10,000	-
Total general revenues and transfers					\$13,428,036	\$ 50,265	\$13,478,301	-
Change in Net Assets					\$ (1,182,960)	\$ 136,953	\$ (1,046,007)	\$ 391,548
Net Assets, Beginning					24,217,543	3,095,442	27,312,985	32,743,337
Net Assets, Ending					\$23,034,583	\$3,232,395	\$26,266,978	\$33,134,885

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 3

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash, including time deposits	\$1,055,368	\$5,021,361	\$ 6,076,729
Cash, restricted	21,384	-	21,384
Accounts receivable	255,876	186,570	442,446
Taxes receivable	8,486,202	1,739,053	10,225,255
Inventory	<u>12,654</u>	<u>-</u>	<u>12,654</u>
Total Assets	<u>\$9,831,484</u>	<u>\$6,946,984</u>	<u>\$16,778,468</u>
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u>			
Accounts payable	\$ 275,625	\$ 198,447	\$ 474,072
Accrued wages and benefits	162,810	49,252	212,062
Accrued compensated absences	405,964	171,842	577,806
Deferred revenue	<u>8,486,202</u>	<u>1,739,053</u>	<u>10,225,255</u>
Total liabilities	<u>\$9,330,601</u>	<u>\$2,158,594</u>	<u>\$11,489,195</u>
<u>Fund Balances</u>			
Reserved for accounts receivable, inventory and prepaid expenses	\$ 268,530	\$ 186,570	\$ 455,100
Reserved for encumbrances	29,797	136,094	165,891
Reserved for restricted assets	21,384	-	21,384
Unreserved, Reported In:			
General Fund	181,172	-	181,172
Special Revenue Funds	<u>-</u>	<u>4,465,726</u>	<u>4,465,726</u>
Total fund balances	<u>\$ 500,883</u>	<u>\$4,788,390</u>	<u>\$ 5,289,273</u>
Total Liabilities and Fund Balances	<u>\$9,831,484</u>	<u>\$6,946,984</u>	<u>\$16,778,468</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 3
(Continued)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2010

Total Governmental Fund Balances	\$ 5,289,273
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Net of accumulated depreciation of \$61,163,415	<u>17,745,310</u>
Net Assets of Governmental Activities	<u>\$23,034,583</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2010

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Revenues</u>			
Taxes	\$ 7,500,054	\$2,958,784	\$10,458,838
Intergovernmental	2,499,965	873,300	3,373,265
Licenses and permits	517,832	-	517,832
Charges for services	536,022	316,861	852,883
Interest income	134,531	-	134,531
Royalty and lease income	113,391	12,600	125,991
Miscellaneous	<u>42,028</u>	<u>29,501</u>	<u>71,529</u>
Total revenues	<u>\$11,343,823</u>	<u>\$4,191,046</u>	<u>\$15,534,869</u>
<u>Expenditures</u>			
Current Operations:			
General Government:			
County Administration	\$ 138,559	\$ -	\$ 138,559
County Commissioners	86,107	-	86,107
County Counselor	84,009	-	84,009
County Clerk	123,390	-	123,390
County Treasurer	194,449	-	194,449
County Attorney	571,055	39,403	610,458
Planning Board	80,767	-	80,767
Register of Deeds	136,282	-	136,282
Clerk of District Court	392,026	-	392,026
Employees' Benefits	2,605,043	-	2,605,043
Courthouse General	987,011	720,480	1,707,491
Information Technology	190,516	-	190,516
GIS	54,599	-	54,599
Election	67,456	-	67,456
County Appraiser	256,959	-	256,959
Human Resources	109,251	-	109,251
Reserve for claims	<u>292,104</u>	<u>-</u>	<u>292,104</u>
Total general government	<u>\$ 6,369,583</u>	<u>\$ 759,883</u>	<u>\$ 7,129,466</u>
Public Safety:			
Sheriff	\$ 1,199,521	\$ -	\$ 1,199,521
Civil Defense	147,745	-	147,745

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4
(Continued)STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2010

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Expenditures</u> (Continued)			
Current Operations (Continued):			
Public Safety (Continued):			
Emergency Preparedness	82,913	44,181	127,094
Jail	1,376,311	-	1,376,311
Joint communications	231,647	-	231,647
Juvenile Detention	220,581	-	220,581
Rural Fire	-	406,169	406,169
Total public safety	\$ 3,258,718	\$ 450,350	\$ 3,709,068
Natural Resources:			
Soil Conservation	\$ 49,064	-	\$ 49,064
County Extension	125,700	-	125,700
Noxious Weed	166,988	-	166,988
Total natural resources	\$ 341,752	-	\$ 341,752
Health and Sanitation:			
Coroner	\$ 33,875	\$ -	\$ 33,875
Mental Health	84,357	-	84,357
Developmental Disabled	167,000	-	167,000
Cemetery	42,842	-	42,842
Emergency Medical Service	635,067	-	635,067
Health	-	998,505	998,505
Total health and sanitation	\$ 963,141	\$ 998,505	\$ 1,961,646
Social Services:			
Adolescent support	\$ 329,635	-	\$ 329,635
SKADAF	62,000	-	62,000
Veterans	19,791	-	19,791
Total social services	\$ 411,426	-	\$ 411,426
Culture and Recreation:			
Historical Museum	\$ 80,000	\$ -	\$ 80,000
Activity Center	197,869	-	197,869
Fair	50,000	-	50,000
Council on Aging	316,679	-	316,679
Special Parks and Recreation	-	4,732	4,732
Total culture and recreation	\$ 644,548	\$ 4,732	\$ 649,280

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2010

	<u>General</u> <u>Fund</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u> <u>Funds</u>
<u>Expenditures</u> (Continued)			
Current Operations (Cont.):			
Transportation:			
Maintenance	<u>-</u>	<u>\$1,523,097</u>	<u>\$ 1,523,097</u>
Other:			
Employee Committee	<u>\$ 11,903</u>	<u>-</u>	<u>\$ 11,903</u>
Total expenditures	<u>\$12,001,071</u>	<u>\$3,736,567</u>	<u>\$15,737,638</u>
Transfers:			
Equipment	<u>\$ 300,000</u>	<u>\$ (310,000)</u>	<u>\$ (10,000)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (957,248)</u>	<u>\$ 764,479</u>	<u>\$ (192,769)</u>
Fund Balances, Beginning	1,432,113	3,881,606	5,313,719
Other Changes:			
Increase or (decrease) in reserves	<u>26,018</u>	<u>142,305</u>	<u>168,323</u>
Fund Balances, Ending	<u>\$ 500,883</u>	<u>\$4,788,390</u>	<u>\$ 5,289,273</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 4
(Continued)RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

Net Change in Fund Balances – Total Governmental Funds	\$ (192,769)
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense:

Capital asset purchases capitalized	706,012
Capital asset disposals, net of accumulated depreciation	(3,739)
Depreciation expense	(1,966,754)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the fund:

Current taxes receivable	10,225,255
Prior taxes receivable	(9,818,626)
Current accounts receivable	442,446
Prior accounts receivable	(219,933)
Current restricted assets	21,384
Prior restricted assets	(20,350)
Current deferred revenue	(10,225,255)
Prior deferred revenue	9,818,626

Repayment of debt principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets:

Capital lease principal payments	105,967
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Some expenses reported in the statement of activities do not require the use
of current financial resources, and, therefore, are not reported as expenditures
in governmental funds:

Compensated absences	(56,538)
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Some assets, such as prepaid insurance and inventory, are reported as reserves
to fund balances in the governmental funds statement so these amounts are
included in the expense accounts on the governmental funds:

Current inventory	12,654
Prior inventory	<u>(11,340)</u>

Change in Net Assets on Governmental Activities	\$ <u>(1,182,960)</u>
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The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 5

STATEMENTS OF NET ASSETS – PROPRIETARY FUNDS

December 31, 2010 and 2009

	<u>Business-Type Activities</u>	
	<u>Landfill</u>	
	<u>Current</u>	<u>Prior</u>
ASSETS		
<u>Current Assets</u>		
Cash, including time deposits	\$ 1,056,226	\$ 878,382
Accounts receivable (net)	<u>328,859</u>	<u>249,017</u>
Total current assets	\$ <u>1,385,085</u>	\$ <u>1,127,399</u>
<u>Noncurrent Assets</u>		
Restricted Assets:		
Cash, including time deposits	\$ 1,645,534	\$ 1,571,930
Note receivable – National Beef	<u>17,310</u>	<u>-</u>
Capital Assets:		
Land	91,844	91,844
Buildings	631,742	631,742
Landfill pit	3,648,792	3,648,792
Machinery, equipment, furniture and fixtures	6,466,071	6,119,926
<u>Less – Accumulated depreciation</u>	<u>(4,555,060)</u>	<u>(2,868,800)</u>
Accumulated amortization	<u>(2,899,300)</u>	<u>(3,945,201)</u>
Total noncurrent assets	\$ <u>5,046,933</u>	\$ <u>5,250,233</u>
Total Assets	\$ <u>6,432,018</u>	\$ <u>6,377,632</u>
LIABILITIES		
<u>Current Liabilities</u>		
Payable from Current Assets:		
Accounts payable	\$ 101,140	\$ 103,176
Current portion of long-term debt	<u>292,745</u>	<u>242,617</u>
Total current liabilities	\$ <u>393,885</u>	\$ <u>345,793</u>
<u>Noncurrent Liabilities</u>		
Lease payable	\$ 613,214	\$ 638,620
Accrued compensated absences	108,430	84,816
Landfill closure payable	2,376,839	2,455,578
<u>Less – Current portion</u>	<u>(292,745)</u>	<u>(242,617)</u>
Total noncurrent liabilities	\$ <u>2,805,738</u>	\$ <u>2,936,397</u>
Total Liabilities	\$ <u>3,199,623</u>	\$ <u>3,282,190</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 285,606	\$ 499,289
Restricted for:		
Other purposes	1,662,844	1,571,930
Unrestricted	<u>1,283,945</u>	<u>1,024,223</u>
Total Net Assets	\$ <u>3,232,395</u>	\$ <u>3,095,442</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 6

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUNDS

For the years ended December 31, 2010 and 2009

	<u>Business-Type Activities</u>	
	<u>Landfill</u>	
	<u>Current</u>	<u>Prior</u>
<u>Operating Revenues</u>		
Charges for services	\$2,793,528	\$2,446,596
<u>Operating Expenses</u>		
Cost of Services:		
Salaries and wages	\$ 620,557	\$ 537,248
Fringe benefits	243,048	218,922
Professional fees	107,304	50,792
Maintenance	94,015	99,372
Fuel	303,549	224,494
Tonnage fees	66,487	58,127
Landfill closure and postclosure	87,728	188,234
Repairs	300,501	211,500
Contract labor	350	7,212
Waste tire removal	138	15,889
Total cost of services	<u>\$1,823,677</u>	<u>\$1,611,790</u>
Other:		
Administrative expense	\$ 201,419	\$ 263,242
Insurance	5,796	5,879
Depreciation and amortization	640,360	591,481
Total other	<u>\$ 847,575</u>	<u>\$ 860,602</u>
Total operating expenses	<u>\$2,671,252</u>	<u>\$2,472,392</u>
Net Operating Income (Loss)	\$ <u>122,276</u>	\$ <u>(25,796)</u>
<u>Non-Operating Revenue (Expense)</u>		
E Waste	\$ 23,953	\$ 37,374
Interest income	19,188	15,852
Interest and fiscal charges	(35,588)	(33,108)
Compost income (net)	7,124	(12,868)
Total non-operating revenue (expense)	<u>\$ 14,677</u>	<u>\$ 7,250</u>
Change in Net Assets	\$ 136,953	\$ (18,546)
Net Assets, Beginning of year	3,095,442	3,038,534
Adjustment to Beginning Balance	<u>-</u>	<u>75,454</u>
Net Assets, End of year	<u>\$3,232,395</u>	<u>\$3,095,442</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 7

STATEMENTS OF CASH FLOWS – PROPRIETARY FUNDS

For the years ended December 31, 2010 and 2009

	<u>Business-Type Activities</u>	
	<u>Landfill</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 2,713,686	\$ 2,442,820
Disbursements to suppliers	(1,453,729)	(1,197,621)
Disbursements to employees	(620,557)	(537,248)
Interest income	19,188	15,852
Interest expense	(35,588)	(33,108)
Net cash provided by operating activities	<u>\$ 623,000</u>	<u>\$ 690,695</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capitalized landfill pit costs	\$ -	\$ (181,215)
Purchase of property and equipment	(346,146)	(368,208)
Financing of equipment	210,256	-
Principal payments on capital lease obligations	(235,662)	(219,639)
Net cash used in financing activities	<u>\$ (371,552)</u>	<u>\$ (769,062)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 251,448	\$ (78,367)
Cash and Cash Equivalents at Beginning of Year	<u>2,450,312</u>	<u>2,528,679</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,701,760</u>	<u>\$ 2,450,312</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (Used) by Operating Activities</u>		
Operating income (loss)	<u>\$ 136,953</u>	<u>\$ (18,546)</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation expense	\$ 609,859	\$ 560,980
Amortization expense	30,501	30,501
Changes in Assets and Liabilities:		
Decrease (increase) in accounts receivable	(79,842)	27,087
Decrease (increase) in notes receivable	(17,310)	-
(Decrease) increase in accounts payable	21,577	(16,035)
(Decrease) increase in landfill closure payable	(78,738)	106,708
Total adjustments	<u>\$ 486,047</u>	<u>\$ 709,241</u>
Net Cash Provided by Operating Activities	<u>\$ 623,000</u>	<u>\$ 690,695</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

Statement 8

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS

For the year ended December 31, 2010

	<u>Assets</u> <u>Cash and</u> <u>Time Deposits</u>	<u>Liabilities</u>	<u>Fund</u> <u>Balance</u>
<u>Expendable Trust Funds</u>			
Prevention Grant	\$ 5,676	\$ 1,089	\$ 4,587
Register of Deeds – Tech Fund	81,546	-	81,546
Technology Surplus	6,646	-	6,646
City of Liberal Intake	15,714	743	14,971
Micro Loan	26,723	353	26,370
LLEBG2002-51 Grant	171,222	-	171,222
Juvenile Justice Grant	192,328	18,232	174,096
Treasurer’s Special Auto	36,293	9,777	26,516
Emergency Medical Service:			
Training	13,783	-	13,783
Bequests	2,804	-	2,804
Prosecutor Training	19,645	-	19,645
Fire Protection – Bequest	2,587	-	2,587
Law Library	134,367	-	134,367
Sub-total	<u>\$ 709,334</u>	<u>\$ 30,194</u>	<u>\$ 679,140</u>
<u>Agency Funds</u>			
Sheriff	\$ 4,684	-	\$ 4,684
Clerk of District Court	154,050	-	154,050
County Attorney	2,681	-	2,681
Cimarron Basin	135,857	-	135,857
Escape Holding	219	-	219
Patriot Escrow	72,842	-	72,842
Long and Short	(1,800)	-	(1,800)
Special County Mineral Tax	64,662	-	64,662
Pilot	54,075	-	54,075
Recreational Vehicles	6,202	-	6,202
Sales and Compensating Tax	46,688	-	46,688
Added Tax	21	-	21
Current Tax	18,529,698	-	18,529,698
Vehicle Property Tax	427,032	-	427,032
Delinquent Personal	50,743	-	50,743
Delinquent Real Estate	141,713	-	141,713
Rent Vehicles	3,007	-	3,007
Bankruptcy	659	-	659
Sub-total	<u>\$19,693,033</u>	<u>-</u>	<u>\$19,693,033</u>
Total Fiduciary Funds	<u>\$20,402,367</u>	<u>\$ 30,194</u>	<u>\$20,372,173</u>

The notes to the financial statements are an integral part of this statement.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Seward County, Kansas is a municipal corporation governed by an elected five-member commission. As required by generally accepted accounting principles, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. There were no blended component units for this reporting entity. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the primary government. This presented component unit has a December 31 year end. Records of County boards are not subject to examination by certified public accountants in accordance with the provisions of state statute and such boards elected not to have an annual audit of their records for audit year 2010.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of a discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the County. The governing body of this component unit is appointed by the County Commission.

Southwest Medical Center – Southwest Medical Center (the Medical Center) is owned by Seward County, Kansas (the County), and governed by a seven-member Board of Trustees appointed by the Board of County Commissioners. The Medical Center is a 101-bed, not-for-profit general hospital located in Liberal, Kansas. The Medical Center can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Hospital is a component unit of the County.

Complete financial statements for the component unit may be obtained at the entity's administrative office:

Southwest Medical Center
315 W. 15th
Liberal, Kansas 67901

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted accounting in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

The County's basic financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Statement 3 provides a reconciliation between the total governmental fund balance and the net assets of governmental activities as reported in the government-wide statement of net assets.

The reconciling element is due to the governmental funds report capital outlays as expenditures in the year of purchase. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Reconciliation of Government-Wide and Fund Financial Statements (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances.

Statement 4 includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities. One element in the reconciliation is the reporting on the purchase of capital assets. The governmental funds report purchases of the capital assets as a current period expenditure. The statement of activities recognizes the cost of those capital assets allocated over their estimated useful lives and reported as depreciation expense. These reconciling items are shown in the current year of \$ (990,191) and total depreciation expense of \$1,966,754.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each on which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally or administratively restricted to expenditures for certain purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by enterprise funds). All Capital Projects Funds were completed in previous years.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt and the financing of special assessments that are general obligations of the County (other than debt service payments made by enterprise funds).

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Proprietary Fund:

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements):

Trust Funds

Funds that are held subject to trust agreements.

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the Landfill Fund as a major proprietary fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's proprietary fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand and savings accounts and certificates of deposits of the County. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Kansas statutes authorize the public entities, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U. S. Treasury Bills and Notes, and the State Treasurer’s investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair market value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the public entity.

All cash accounts are recorded at cost, plus accrued interest, if applicable. All funds for the primary government were fully collateralized at year end by federal depository insurance and/or collateral held by the entity or its agent in the entity’s name.

Restricted Assets

Certain resources are set aside for their repayment and are classified as restricted assets on balance sheet because they are maintained in separate accounts and their use is limited to:

- AFLAC accounts
- Diversions – County Attorney
- Pitney Bowes account
- Landfill

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Property Taxes

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. Collection of current year property taxes by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year. This procedure is in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the County and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2011.

Only amounts of delinquent tax collected by the County Treasurer are included in receivables and offset by deferred revenue. Records of back tax are such that it is impracticable to ascertain the amounts that represent receivables. Revenue would not be affected since budgetary procedures require reporting on a cash basis.

Activity Between Funds

Activity between funds that are outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances", if applicable. At year end there were no outstanding balances.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Other Receivables – Governmental Funds

Receivables of the general and special revenue funds are not available as resources that can be used to finance the current year operations of the County and, consequently, are offset by reserves in the fund statements for control purposes.

With the exception of back taxes, accounts receivable, which were considered doubtful as to collectibility, have been charged off. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

Landfill Receivable

The County records landfill revenue billed to its customers on a monthly basis. It is not practicable to estimate unbilled service receivables at year end and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Inventories and Prepaid Items

General Fund inventories of noxious weed chemicals are held for the purpose of resale and are carried at cost using the first-in, first-out method. Inventories are expensed when purchased for fund financials and expensed when used for government-wide financials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and improvements, equipment and infrastructure assets, such as roads, bridges and similar items, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Infrastructure assets	39 to 50 years
Machinery and equipment	2 to 10 years

Compensated Absences – County Employees

Policy as adopted:

Paid time off (PTO) has been provided to add flexibility to Seward County employees in taking time off away from their employment, but at the same time maintaining effective staffing at all levels of Seward County Government. The Seward County Board of Commissioners find that it is in the best interest of the Seward County employees to be responsible for determining how their time away from work will best suit their individual needs and preferences and that employees should be given flexibility in their paid time away from work. PTO shall be used concurrently to an employee utilizing leave of absence status. This policy shall apply to all full-time employees.

The following accrual chart is based on per pay period:

<u>Length of Service</u>	<u>Accrual</u>
1 year or less	.31 days
2-5 years	.88 days
6-9 years	1.00 days
10-14 years	1.27 days
15 years and over	1.46 days

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Compensated Absences – County Employees (Continued)

The maximum accumulation of PTO by an employee shall be 512 hours or 64 days. Employees who have accrued in excess of 512 hours or 64 days of PTO may exchange PTO in excess of 512 hours for wage based compensation at a rate of 2 hours of PTO for 1 hour of wage based compensation or may place hours in excess of 512 in extended sick leave up to 1,040 hours. Exempt employees may exchange PTO at a ratio of 2 weeks of PTO for 1 week of base compensation or place days in excess of 64 in extended sick leave. Time placed in extended sick leave shall be lost upon termination or retirement. Extended sick leave may only be used for events qualifying for Family and Medical leave and/or following a bona fide illness absence in excess of three consecutive days.

Under this policy, employees who retire from Seward County under the plans offered by Seward County are eligible for a PTO buy out up to 512 hours. This benefit will be available to all full-time employees who are eligible for KPERS or other applicable County sponsored retirement program and have at least five years of full-time service to the County. Amounts have been calculated and have been accrued in the appropriate funds. Amounts that have been accrued for the year ended December 31, 2010 are:

<u>Fund</u>	<u>Amount</u>
General	\$405,964
Rural Fire	15,909
Road and Bridge	102,999
Health	52,934
Landfill	108,430

Deferred Revenue

Receivables from taxes and grants from federal and state agencies are reported as deferred revenue for all governmental fund types.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by County legislation or external restrictions by other governments, creditors or grantors.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Revenues and Expenditures

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

Collection of current year property taxes by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with the governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the County and, therefore, are not susceptible to accrual.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. Principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

A. Annual budgets are adopted for most County funds. Such budgets are based on expected expenditures by program within a fund and estimated resources by source for all funds. Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Encumbrance accounting is employed by governmental funds. Encumbrances outstanding at year end are reported as reservation of fund balances and do not constitute GAAP expenditures or liabilities. Accordingly, all budget statements reflect the amount of encumbrances included as non-GAAP expenditures. Revenues are recognized when cash is received. Budget expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for Capital Projects Funds, Trust Funds and the following Special Revenue Funds:

EMS Equipment Fund
Rural Fire Equipment Fund
Special Highway Improvement Fund
Road Machinery Fund
Noxious Weed Equipment Fund
911 Wireless Fund
Court Trustee Operations Fund

Spending in funds, which are not subject to the legal annual operating budget requirement, are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

B. Excess of Expenditures over Adopted Budget

County Building fund expenditures exceeded their budget authorization.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Deficit Fund Equity at Year End

There was no deficit fund equity at year end.

D. Detail Notes on All Funds

Cash and Cash Equivalents

	<u>Cash & Time Accounts</u>
County Treasurer:	
First National Bank	\$28,767,274
Cash on hand	93,926
Other Accounts:	
Pitney Bowes – Postage Account:	
Cash on hand	4,405
AFLAC account:	
First National Bank	11,817
Emergency Medical Service:	
First National Bank	1,414
Cash on hand	250
Clerk of District Court:	
First National Bank	154,050
Law Library:	
First National Bank	134,367
Landfill:	
First National Bank	23,322
Cash on hand	500
Health Department:	
First National Bank	650
Cash on hand	100
County Attorney:	
Sunflower Bank	2,681
County Clerk:	
Cash on hand	100

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Cash and Cash Equivalents (Continued)

	<u>Cash & Time Accounts</u>
Register of Deeds:	
First National Bank	-
Road and Bridge:	
Cash on hand	200
Sheriff:	
Cash on hand	100
Community Bank	4,584
Witness Fee Fund:	
First National Bank	<u>2,500</u>
Total	<u>\$29,202,240</u>
Analysis of Total Cash and Time Deposits of	
Primary Government – Statement 1:	
Unrestricted cash for operations	\$27,535,322
Restricted Cash:	
Landfill closure and postclosure care	1,645,534
AFLAC account	11,816
Diversion – County Attorney	5,163
Pitney Bowes account	<u>4,405</u>
Total	<u>\$29,202,240</u>
Reconciliation:	
Cash Balances – Statement 1:	
Current Assets	\$ 7,132,955
Restricted Assets	1,666,918
Cash Balances – Statement 8	<u>20,402,367</u>
Total	<u>\$29,202,240</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by Seward County. The statute requires banks eligible to hold Seward County's funds have a main or branch bank in the county in which Seward County is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. Seward County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits Seward County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Seward County has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, Seward County's deposits may not be returned or Seward County will not be able to recover collateral securities in the possession of an outside party. Seward County's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The Seward County Commission approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the County Treasurer. Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Deposits of Seward County's reporting entity are insured or collateralized with securities held by Seward County, its agent, or by the pledging financial institutions' trust department or agent in the name of Seward County or applicable public trust.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Deposits and Investments (Continued)

At December 31, 2010, Seward County's carrying amount of deposits, including certificates of deposit, was \$29,102,659. The bank balance was \$29,569,568. Of the bank balance, \$19,927,663 was covered by FDIC insurance and the remaining \$9,641,905 was collateralized with securities held by the pledging financial institution's agent in Seward County's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, Seward County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Receivables as of Year End for Government's Individual Major Funds and Nonmajor Funds

<u>Receivables</u>	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Taxes:			
Ad valorem tax	\$ 9,553,386	-	\$ 9,553,386
Motor vehicle tax	553,038	-	553,038
Delinquent tax	86,500	-	86,500
Special County mineral taxes	<u>32,331</u>	<u>-</u>	<u>32,331</u>
Total taxes	\$10,225,255	\$ -	\$10,225,255
Accounts	<u>442,446</u>	<u>328,859</u>	<u>771,305</u>
Net receivables	<u>\$10,667,701</u>	<u>\$328,859</u>	<u>\$10,996,560</u>

Provision for Uncollectibles

Business-type receivables are primarily from other governments and are considered fully collectible.

With the exception of back taxes, other receivables which were considered doubtful as to collectibility have been charged off annually. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Provision for Uncollectibles (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

<u>Funds</u>	<u>Amounts</u>
General	\$ 8,486,202
County Building	290,553
Rural Fire	472,124
Road and Bridge	<u>976,376</u>
Total	<u>\$10,225,255</u>

Receivables and Payables

The detail of interfund transfers made for the year 2010 are as follows:

Interfund – Operating Transfers

Detail as Follows:

	<u>Due</u>	
	<u>To</u>	<u>From</u>
General	\$ -	\$300,000
Special Equipment	300,000	-
Treasurer's Special Auto	-	10,000
Special Equipment	10,000	-
Rural Fire Equipment Fund	130,000	-
Rural Fire Fund	-	130,000
Road and Bridge	-	400,000
Special Highway	400,000	-
Road and Bridge	-	150,000
Road Machinery	<u>150,000</u>	<u>-</u>
Total	<u>\$990,000</u>	<u>\$990,000</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Inventories:

Governmental Funds – Disbursements for inventory type items are considered as expenditures at the time of purchase. Balance sheet presentation of stated inventory is offset in the equity section of the balance sheet as reserve for inventory. The only stated inventory is included in the General Fund in the amount of \$12,654 for noxious weed treatment.

Prepaid Expense

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. There were no prepaid expenses reported as of year end.

Capital Assets:

Enterprise Activities – Landfill

Capital assets and related depreciation have been recorded for the Landfill Fund. Recorded property, plant and equipment owned by the Landfill Fund are stated at cost or estimated historical cost if original cost is not available. Gifts or contributions are stated at fair market value at the date received. Depreciation has been provided over the estimated useful lives using the straight-line method.

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Enterprise Activities – Landfill (Continued)

A summary of property, plant and equipment is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 91,844	\$ -	-	\$ 91,844
Landfill pit	3,648,792	-	-	3,648,792
Buildings and improvements	631,742	-	-	631,742
Machinery and equipment	<u>6,119,926</u>	<u>346,145</u>	<u>-</u>	<u>6,466,071</u>
Total	<u>\$10,492,304</u>	<u>\$ 346,145</u>	<u>-</u>	<u>\$10,838,449</u>
 <u>Less – Accumulated depreciation for:</u>				
Buildings and improvements	\$ (238,522)	\$ (23,019)	-	\$ (261,541)
Landfill pit	(2,868,799)	(30,500)	-	(2,899,299)
Machinery and equipment	<u>(3,706,680)</u>	<u>(586,840)</u>	<u>-</u>	<u>(4,293,520)</u>
Total	<u>\$ (6,814,001)</u>	<u>\$ (640,359)</u>	<u>-</u>	<u>\$ (7,454,360)</u>
Net Capital Assets	<u>\$ 3,678,303</u>	<u>\$ (294,214)</u>	<u>-</u>	<u>\$ (3,384,089)</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities

Capital assets and related depreciation have been recorded for all governmental activities. Public domain (infrastructure) capital assets consisting of roads and bridges are also capitalized and depreciated.

A summary of property, plant and equipment is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
General Government Control:				
County Commissioners	\$ 55,076	\$ -	\$ -	\$ 55,076
County Administrator	51,634	-	-	51,634
Staff Agencies:				
County Clerk	356,263	3,214	-	359,477
County Appraiser	162,854	2,995	3,215	162,634
County Treasurer	136,842	928	2,014	135,756
County Attorney	145,149	3,139	-	148,288
District Court	425,194	2,676	-	427,870
Register of Deeds	97,061	7,552	11,617	92,996
Courthouse General	<u>7,206,337</u>	<u>590,562</u>	<u>1,240</u>	<u>7,795,659</u>
Total Government	<u>\$ 8,636,410</u>	<u>\$ 611,066</u>	<u>\$ 18,086</u>	<u>\$ 9,229,390</u>
Public Safety:				
Sheriff	\$ 1,570,277	\$ 4,840	\$ 8,823	\$ 1,566,294
Civil Defense	171,148	11,012	-	182,160
Fire Protection	1,933,429	7,973	13,585	1,927,817
Emergency Medical				
Service	1,061,466	-	3,410	1,058,056
911	509,889	12,650	-	522,539
Jail Facility	<u>6,934,838</u>	<u>2,200</u>	<u>-</u>	<u>6,937,038</u>
Total Public Safety	<u>\$12,181,047</u>	<u>\$ 38,675</u>	<u>\$ 25,818</u>	<u>\$12,193,904</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Other:				
Health – Mental Health	\$ 585,955	\$ -	\$ -	\$ 585,955
Highways	53,692,345	17,500	29,000	53,680,845
Natural Resources –				
Noxious Weed	124,090	-	-	124,090
Exhibit Hall	1,966,950	-	-	1,966,950
Health	399,013	38,772	14,786	422,999
Planning and Zoning	17,956	-	-	17,956
Restlawn Cemetery	15,792	-	-	15,792
Activity Center	242,371	-	2,199	240,172
Fair Grounds	<u>430,672</u>	<u>-</u>	<u>-</u>	<u>430,672</u>
Total Other	<u>\$57,475,144</u>	<u>\$ 56,272</u>	<u>\$ 45,985</u>	<u>\$57,485,431</u>
Total	<u>\$78,292,601</u>	<u>\$ 706,013</u>	<u>\$ 89,889</u>	<u>\$78,908,725</u>
<u>Less</u> – Accumulated depreciation for:				
General Government Control:				
County Commissioners	\$ 33,409	\$ 4,334	\$ -	\$ 37,743
County Administrator	34,454	4,050	-	38,504
Staff Agencies:				
County Clerk	236,497	33,574	-	270,071
County Appraiser	123,421	9,353	3,215	129,559
County Treasurer	121,115	4,633	1,033	124,715
County Attorney	134,384	5,150	-	139,534
District Court	340,167	21,140	-	361,307
Register of Deeds	65,644	8,753	10,004	64,393
Courthouse General	<u>1,758,229</u>	<u>210,793</u>	<u>1,240</u>	<u>1,967,782</u>
Total Government	<u>\$ 2,847,320</u>	<u>\$ 301,780</u>	<u>\$ 15,492</u>	<u>\$ 3,133,608</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Less</u> – Accumulated depreciation for (Cont.):				
Public Safety:				
Sheriff	\$ 1,167,546	\$ 115,752	\$ 8,605	\$ 1,274,693
Civil Defense	140,676	12,376	-	153,052
Fire Protection	1,416,389	28,348	13,219	1,485,518
Emergency Medical Service	942,295	16,463	3,411	955,347
911	493,985	17,508	-	511,493
Jail Facility	<u>1,742,019</u>	<u>182,551</u>	<u>-</u>	<u>1,924,570</u>
Total Public Safety	\$ <u>5,902,910</u>	\$ <u>426,998</u>	\$ <u>25,235</u>	\$ <u>6,304,673</u>
Other:				
Health – Mental Health	\$ 360,980	\$ 20,843	\$ -	\$ 124,090
Highways	48,392,441	50,435	-	907,828
Natural Resources – Noxious Weed	124,090	-	-	124,090
Exhibit Hall	857,393	50,435	-	907,828
Health	178,951	18,303	14,233	183,021
Planning and Zoning	16,841	223	-	17,064
Restlawn Cemetery	5,434	2,071	-	7,505
Activity Center	204,429	10,495	2,191	212,733
Fair Grounds	<u>392,021</u>	<u>4,785</u>	<u>-</u>	<u>396,806</u>
Total Other	\$ <u>50,532,580</u>	\$ <u>1,237,978</u>	\$ <u>45,424</u>	\$ <u>51,725,134</u>
Total	\$ <u>59,282,810</u>	\$ <u>1,966,756</u>	\$ <u>86,151</u>	\$ <u>61,163,415</u>
Net Capital Assets	\$ <u>19,009,791</u>	\$ <u>(1,260,743)</u>	\$ <u>(3,738)</u>	\$ <u>17,745,310</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Discretely Presented Component Unit

Activity of Southwest Medical Center is presented in Statements 1 and 2.

Operating and Capital Leases

There was no financial activity relating to operating or capital leases.

Short-Term Debt

The following is a summary of short-term debt:

Beginning balance	-	
Increases	-	
Decreases	-	
Ending balance	<u>-</u>	<u>-</u>

Long-Term Debt

Following is a detailed listing of the primary government's long-term debt of capital leases:

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>
Lease Purchase – Rural Fire	10-27-03	\$239,610	5.410
Lease Purchase – Rural Fire	6-04-09	100,878	4.250

Long-term debt of the discretely presented component unit consists of the following:

	<u>2010</u>	<u>2009</u>
2.0% to 5.0% General Obligation Hospital Refunding and Improvement Bonds, Series 2010-A; issued on May 27, 2010, in the original amount of \$17,670,000, due serially through August 1, 2040	\$16,800,000	\$ -

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

	<u>2010</u>	<u>2009</u>
3.0% to 4.25% General Obligation Hospital Refunding Bonds, Series 2001-A; issued on November 20, 2001, in the original amount of \$9,925,000, due serially through August 1, 2013	-	3,925,000
Net unamortized premium (discount)	481,698	(8,091)
Unamortized deferred refunding loss	-	(36,314)
	<u>\$17,281,698</u>	<u>\$3,880,595</u>
<u>Less</u> – Current portion	<u>170,000</u>	<u>925,000</u>
	<u>\$17,111,698</u>	<u>\$2,955,595</u>

On May 27, 2010, the County issued \$17,670,000 in General Obligation Hospital Refunding and Improvement Bonds, Series 2010-A (the 2010-A bonds) on behalf of the Medical Center pursuant to a bond trust indenture dated May 1, 2010. The proceeds of the bonds were used, together with other available funds of the Medical Center, for the purpose of providing funds to (1) expand and renovate the Medical Center's existing facilities, (2) pay for the costs of certain items of equipment, (3) fund a debt service reserve fund, (4) pay certain costs related to issuance of the bonds, and (5) make the payment as scheduled on August 1, 2010, for principal and interest due then on the 2001-A bonds.

On November 1, 2010, the County engaged in a current refunding of the 2001-A bonds then outstanding by making an irrevocable deposit with a trustee of \$3,119,280 of available funds of the Medical Center. Those funds were used by the trustee to purchase direct obligations of the United States of America that will mature and pay interest in amounts and at times that will provide for payment of principal and interest on the 2001-A bonds through August 1, 2011, and to redeem and pay the 2001-A bonds remaining outstanding on that date at a redemption price of 100 percent. A loss on extinguishment of debt of \$137,399 was recognized in the 2010 financial statements because the acquisition cost of the extinguished debt was greater than the net carrying amount of that debt on the balance sheet.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

The indenture agreements for the bonds require the Medical Center to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The indenture agreements also include certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, and level of fees and rates charged.

Scheduled annual debt service requirements on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 170,000	\$ 739,550	\$ 909,550
2012	175,000	736,150	911,150
2013	180,000	732,650	912,650
2014	355,000	729,050	1,084,050
2015	360,000	721,063	1,081,063
2016-2020	1,975,000	3,438,837	5,413,837
2021-2025	2,335,000	3,075,790	5,410,790
2026-2030	2,880,000	2,539,000	5,419,000
2031-2035	3,680,000	1,742,500	5,422,500
2036-2040	<u>4,690,000</u>	<u>726,250</u>	<u>5,416,250</u>
	<u>\$16,800,000</u>	<u>\$15,180,840</u>	<u>\$31,980,840</u>

The following is a summary of changes in long-term debt:

Principal outstanding at January 1, 2009	\$ 4,815,000
Principal payments	<u>(890,000)</u>
Principal outstanding at January 1, 2010	\$ 3,925,000
Issuance of long-term debt	17,670,000
Payment to extinguish debt	(3,000,000)
Principal payments	<u>(1,795,000)</u>
Principal outstanding at December 31, 2010	<u>\$16,800,000</u>

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

Total interest costs are summarized as follows:

	<u>2010</u>	<u>2009</u>
Total interest incurred	\$ 563,016	\$181,899
Amortization of deferred financing costs, deferred refunding loss, and bond premium and discount	<u>19,423</u>	<u>34,390</u>
Interest expense	\$ 582,439	\$216,289
<u>Less</u> – Interest earned on borrowed funds offset against capitalized interest costs	(961)	-
Net capitalized interest costs	<u>(312,237)</u>	<u>-</u>
Interest expense	\$ <u>269,241</u>	\$ <u>216,289</u>

Governmental Activities

The primary government has entered into several lease purchase contracts. Contracts outstanding at year end are as follows:

<u>Fund</u>	<u>Interest Rate</u>	<u>Amount</u>
Rural Fire Equipment	5.410%	\$ -
Rural Fire Equipment	4.250%	-

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

Business-Type Activities

Landfill Debt

On April 23, 2007, a lease purchase in the amount of \$400,000, with an interest rate of 4.50%, was acquired.

On October 15, 2007, a lease purchase in the amount of \$176,000, with an interest rate of 4.50%, was acquired.

On March 18, 2008, a lease purchase in the amount of \$146,000, with an interest rate of 4.32%, was acquired.

On November 25, 2008, a lease purchase in the amount of \$224,800, with an interest rate of 4.29%, was acquired.

On December 1, 2008, a lease purchase in the amount of \$87,935, with an interest rate of 4.33%, was acquired.

On March 2, 2010, a lease purchase in the amount of \$34,697, with an interest rate of 4.25% was acquired.

On September 1, 2010, a lease purchase in the amount of \$175,559, with an interest rate of 4.25% was acquired.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Business-Type Activities (Continued)

Landfill Debt (Continued)

Balance of principal remaining at December 31, 2010:

<u>Fund</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
Landfill – Equipment	\$115,531	4.50%
Landfill – Equipment	68,998	4.50%
Landfill – Equipment	69,394	4.32%
Landfill – Equipment	136,882	4.29%
Landfill – Equipment	29,259	4.33%
Landfill – Equipment	25,498	4.25%
Landfill – Equipment	<u>167,652</u>	4.25%
Total	<u>\$613,214</u>	

Detail of scheduled payments by year including interest of \$38,555:

<u>Year</u>	<u>Amount</u>
2011	\$292,745
2012	196,008
2013	94,703
2014	39,036
2015	<u>29,277</u>
Total	<u>\$651,769</u>

The primary government has an estimated closure and postclosure costs of \$4,705,570. Of this amount \$2,376,839 is included in the current balance sheet of the landfill.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Detail Notes on All Funds (Continued)

Business-Type Activities (Continued)

Closure and Postclosure Care Cost

Primary government is included in this classification of an original closure and postclosure cost of \$4,705,570. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,376,839 reported as landfill closure and postclosure care liability at December 31, 2010 represents the cumulative amount reported to date. The County will recognize the remaining postclosure costs of \$2,328,731 over the next 30 years. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

As of December 31, 2010, there was \$1,645,534 set aside to finance closure and postclosure costs. A tipping fee set aside was approved.

Note 3: OTHER INFORMATION

A. Defined Benefit Pension Plan

Seward County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 3: OTHER INFORMATION (Continued)

A. Defined Benefit Pension Plan (Continued)

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009 and 6% for all employees hired after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 6.14%. Seward County's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$414,401, \$353,518 and \$268,826, respectively, equal to the required contributions for each year.

B. Salary Reduction Plan

Seward County has adopted a 457 elective salary reduction plan with ING Financial Services for employees' retirement. The plan transactions for the year ended December 31, 2010 are as follows:

Beginning balance	\$255,168
Contributions	34,141
Withdrawals	(13,042)
Change in value	<u>41,147</u>
Ending balance	<u>\$317,414</u>

C. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 3: OTHER INFORMATION (Continued)

D. Federal Assistance

Seward County participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2010.

It is possible that the County's compliance with applicable grant agreements may be established at some future date. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this date, although the County expects such amounts, if any, to be immaterial.

E. Environmental Issues

Environmental issues pertaining to Seward County are subject to state and federal requirements. The amount of expenditures required, if any, is not presently ascertainable.

F. Contingencies – Self-Insured Health Insurance

Seward County has entered into an agreement with Blue Cross/Blue Shield of Kansas in which the County self insures claims to an individual stop loss of \$75,000. There is no aggregate stop loss on the contract.

G. Interfund Eliminations

There were no interfund eliminations made.

SEWARD COUNTY, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 3: OTHER INFORMATION (Continued)

H. Compliance and Propriety Matters – Seward County

1. Contrary to the provisions of K.S.A. 10-1117 and 79-2934, the required budget and encumbrance records were not properly maintained by the County Clerk.
2. Contrary to the provisions of K.S.A. 19-312, the County Clerk did not maintain an account of charges and credits on the current year tax roll abstract showing the treasurer's accountability.
3. Contrary to the provisions of K.S.A. 32-984, the County Clerk did not remit daily to the County Treasurer game license fees.
4. Contrary to the provisions of K.S.A. 79-3104, the County Register of Deeds did not remit daily to the County Treasurer mortgage registration fees and heritage trust fund fees.
5. Contrary to the provisions of K.S.A. 19-264, the County operated a petty cash fund.

The above noncompliance matters have been discussed with various County officials.

SEWARD COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2010

SEWARD COUNTY, KANSAS

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2010

<u>Revenue</u>	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes:			
Ad valorem property tax	\$7,019,757	\$6,924,867	\$ (94,890)
Back tax collections	80,000	82,137	2,137
Motor vehicle tax	389,779	372,405	(17,374)
Interest on delinquent taxes	40,000	120,645	80,645
Total taxes	<u>\$7,529,536</u>	<u>\$7,500,054</u>	<u>\$ (29,482)</u>
Intergovernmental:			
Private club liquor tax	\$ 4,600	\$ 7,099	\$ 2,499
Proration – Clerk of District Court	20,500	13,339	(7,161)
Local sales tax	1,600,000	1,527,057	(72,943)
Health initiatives	750,000	640,602	(109,398)
Civil Defense	-	174,826	174,826
Severance tax	220,000	137,042	(82,958)
Total intergovernmental	<u>\$2,595,100</u>	<u>\$2,499,965</u>	<u>\$ (95,135)</u>
Charges for Sales & Services:			
Sale of cemetery lots and fees	\$ 25,000	\$ 16,550	\$ (8,450)
Chemical sales	115,000	74,790	(40,210)
Emergency Medical Service	300,000	364,476	64,476
Jail Board	75,000	80,206	5,206
Total charges for sales and services	<u>\$ 515,000</u>	<u>\$ 536,022</u>	<u>\$ 21,022</u>
Licenses, Permits and Fees:			
Licenses and permits	\$ 30,000	\$ 12,719	\$ (17,281)
Mortgage registration fees	120,000	218,387	98,387
Officers' fees	191,000	188,775	(2,225)
Tonnage fees	85,000	97,951	12,951
Total licenses, permits and fees	<u>\$ 426,000</u>	<u>\$ 517,832</u>	<u>\$ 91,832</u>
Use of Money and Property:			
Interest on time deposits	\$ 325,000	\$ 134,531	\$ (190,469)
Rentals and royalties	131,500	113,391	(18,109)
Total use of money and property	<u>\$ 456,500</u>	<u>\$ 247,922</u>	<u>\$ (208,578)</u>

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenue</u> (Continued)			
Other:			
Miscellaneous	\$ 1,875	\$ 42,028	\$ 40,153
Total revenue	\$11,524,011	\$11,343,823	\$ (180,188)
<u>Expenditures</u>			
General Government:			
County Administration	\$ 140,446	\$ 138,559	\$ 1,887
County Commissioners	98,145	86,107	12,038
County Counselor	65,000	84,009	(19,009)
County Clerk	136,494	123,390	13,104
County Treasurer	216,690	194,449	22,241
County Attorney	588,336	571,055	17,281
Planning Board	93,519	80,767	12,752
Register of Deeds	155,588	136,282	19,306
Clerk of District Court	335,314	392,026	(56,712)
Courthouse General	1,075,343	987,011	88,332
Information Technology	273,500	190,516	82,984
GIS	81,777	54,599	27,178
Election	79,472	67,456	12,016
County Appraiser	322,368	256,959	65,409
Human Resources	121,638	109,251	12,387
Reserve for claim	500,000	292,104	207,896
Total general government	\$ 4,283,630	\$ 3,764,540	\$ 519,090
Public Safety:			
Sheriff	\$ 1,333,518	\$ 1,199,521	\$ 133,997
Emergency Preparedness	109,336	82,913	26,423
Jail	1,587,000	1,376,311	210,689
Joint Communications	231,647	231,647	-
Civil Defense	-	147,745	(147,745)
Juvenile Detention	300,000	220,581	79,419
Total public safety	\$ 3,561,501	\$ 3,258,718	\$ 302,783

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
Natural Resources:			
Noxious Weed	\$ 216,340	\$ 166,988	\$ 49,352
Soil Conservation	49,064	49,064	-
County Extension	125,700	125,700	-
Total natural resources	<u>\$ 391,104</u>	<u>\$ 341,752</u>	<u>\$ 49,352</u>
Employees' Benefits:			
Health insurance	\$ 1,645,300	\$ 1,695,956	\$ (50,656)
Employer costs	888,972	909,087	(20,115)
Total employees' benefits	<u>\$ 2,534,272</u>	<u>\$ 2,605,043</u>	<u>\$ (70,771)</u>
Health and Sanitation:			
Emergency Medical Service	\$ 645,804	\$ 635,067	\$ 10,737
Coroner	44,000	33,875	10,125
Mental Health	84,357	84,357	-
Developmental Disabled	167,000	167,000	-
Cemetery	59,590	42,842	16,748
Total health and sanitation	<u>\$ 1,000,751</u>	<u>\$ 963,141</u>	<u>\$ 37,610</u>
Social Services:			
Adolescent support	\$ 329,635	\$ 329,635	-
SKADAF	62,000	62,000	-
Veterans	19,791	19,791	-
Total social services	<u>\$ 411,426</u>	<u>\$ 411,426</u>	<u>-</u>
Culture and Recreation:			
Council on Aging	\$ 316,679	\$ 316,679	\$ -
Historical Museum	80,000	80,000	-
Fair	50,000	50,000	-
Activity Center	249,668	197,869	51,799
Economic Development	1,000	-	1,000
Total culture and recreation	<u>\$ 697,347</u>	<u>\$ 644,548</u>	<u>\$ 52,799</u>

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Expenditures</u> (Continued)			
Other:			
Employee Committee	\$ <u>15,155</u>	\$ <u>11,903</u>	\$ <u>3,252</u>
Transfers:			
Equipment	\$ <u>300,000</u>	\$ <u>300,000</u>	<u>-</u>
Total expenditures	\$ <u>13,195,186</u>	\$ <u>12,301,071</u>	\$ <u>894,115</u>
Revenue over (under) expenditures	\$ (1,671,175)	\$ (957,248)	\$ 713,927
Fund Balances, January 1	1,671,175	1,755,193	84,018
Other Changes:			
Increase or (Decrease) in Reserves:			
Other receivables	-	126,459	126,459
Restricted assets	-	1,034	1,034
Inventory	-	1,314	1,314
Encumbrances	-	(37,025)	(37,025)
Compensated absences	<u>-</u>	<u>(65,764)</u>	<u>(65,764)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>823,963</u>	\$ <u>823,963</u>

SEWARD COUNTY, KANSAS

OTHER SUPPLEMENTARY INFORMATION

December 31, 2010

SEWARD COUNTY, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2010

	<u>Rural Fire</u>	<u>County Building</u>	<u>Special Park & Recreation</u>	<u>Special Alcoholic Treatment</u>	<u>911 Wireless</u>	<u>Health Special Services</u>	<u>County Attorney Diversion</u>	<u>911 Telephone System</u>
ASSETS								
Cash, including time deposits	\$101,822	\$311,579	-	-	\$134,836	\$569,814	\$105,160	\$314,574
Accounts receivable	-	-	-	-	-	185,806	-	764
Taxes receivable	<u>472,124</u>	<u>290,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$573,946</u>	<u>\$602,132</u>	<u>-</u>	<u>-</u>	<u>\$134,836</u>	<u>\$755,620</u>	<u>\$105,160</u>	<u>\$315,338</u>
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	\$ 6,740	\$ 75,460	-	-	-	\$ 13,811	\$ 2,131	\$ 8,342
Accrued wages and benefits	2,753	-	-	-	-	25,361	274	-
Accrued compensated absences	15,909	-	-	-	-	52,934	-	-
Deferred revenue	<u>472,124</u>	<u>290,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$497,526</u>	<u>\$366,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 92,106</u>	<u>\$ 2,405</u>	<u>\$ 8,342</u>
<u>Fund Balances</u>								
Reserved for receivables	\$ -	\$ -	-	-	\$ -	\$185,806	\$ -	\$ 764
Reserved for encumbrances	-	86,094	-	-	-	-	-	-
Unreserved:								
Undesignated	<u>76,420</u>	<u>150,025</u>	<u>-</u>	<u>-</u>	<u>134,836</u>	<u>477,708</u>	<u>102,755</u>	<u>306,232</u>
Total fund balances	<u>\$ 76,420</u>	<u>\$236,119</u>	<u>-</u>	<u>-</u>	<u>\$134,836</u>	<u>\$663,514</u>	<u>\$102,755</u>	<u>\$306,996</u>
Total Liabilities and Fund Balances	<u>\$573,946</u>	<u>\$602,132</u>	<u>-</u>	<u>-</u>	<u>\$134,836</u>	<u>\$755,620</u>	<u>\$105,160</u>	<u>\$315,338</u>

SEWARD COUNTY, KANSAS

Schedule 2
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2010

	<u>Capital Equipment Reserve</u>	<u>Rural Fire Equipment</u>	<u>Special Highway Improvement</u>	<u>Noxious Weed Equipment</u>	<u>Road & Bridge</u>	<u>Road Machinery</u>	<u>Total Nonmajor Special Revenue</u>
ASSETS							
Cash, including time deposits	\$603,317	\$328,087	\$719,232	\$ 42,156	\$ 915,035	\$875,749	\$5,021,361
Accounts receivable	-	-	-	-	-	-	186,570
Taxes receivable	-	-	-	-	976,376	-	1,739,053
Total Assets	<u>\$603,317</u>	<u>\$328,087</u>	<u>\$719,232</u>	<u>\$ 42,156</u>	<u>\$1,891,411</u>	<u>\$875,749</u>	<u>\$6,946,984</u>
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Accounts payable	\$ 24,874	-	-	-	\$ 67,089	-	\$ 198,447
Accrued wages and benefits	-	-	-	-	20,864	-	49,252
Accrued compensated absences	-	-	-	-	102,999	-	171,842
Deferred revenue	-	-	-	-	976,376	-	1,739,053
Total liabilities	<u>\$ 24,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$1,167,328</u>	<u>-</u>	<u>\$2,158,594</u>
<u>Fund Balances</u>							
Reserved for receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,570
Reserved for encumbrances	50,000	-	-	-	-	-	136,094
Unreserved:							
Undesignated	<u>528,443</u>	<u>328,087</u>	<u>719,232</u>	<u>42,156</u>	<u>724,083</u>	<u>875,749</u>	<u>4,465,726</u>
Total fund balances	<u>\$578,443</u>	<u>\$328,087</u>	<u>\$719,232</u>	<u>\$ 42,156</u>	<u>\$ 724,083</u>	<u>\$875,749</u>	<u>\$4,788,390</u>
Total Liabilities and Fund Balances	<u>\$603,317</u>	<u>\$328,087</u>	<u>\$719,232</u>	<u>\$ 42,156</u>	<u>\$1,891,411</u>	<u>\$875,749</u>	<u>\$6,946,984</u>

SEWARD COUNTY, KANSAS

Schedule 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2010

	<u>Rural</u> <u>Fire</u>	<u>County</u> <u>Building</u>	<u>Special</u> <u>Park &</u> <u>Recreation</u>	<u>Special</u> <u>Alcoholic</u> <u>Treatment</u>	<u>911</u> <u>Wireless</u>	<u>Health</u> <u>Special</u> <u>Services</u>	<u>County</u> <u>Attorney</u> <u>Diversion</u>	<u>911</u> <u>Telephone</u> <u>System</u>
<u>Revenues</u>								
Taxes	\$ 504,763	\$ 334,846	\$ 2,366	\$ 2,366	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	806,435	66,865	-
Charges for services	-	-	-	-	43,556	210,301	-	63,004
Other	<u>-</u>	<u>12,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 504,763</u>	<u>\$ 347,446</u>	<u>\$ 2,366</u>	<u>\$ 2,366</u>	<u>\$ 43,556</u>	<u>\$1,016,736</u>	<u>\$ 66,865</u>	<u>\$ 63,004</u>
<u>Expenditures</u>								
General government	\$ -	\$ 577,659	\$ -	\$ -	-	\$ -	\$ 39,403	\$ -
Public safety	298,667	-	-	-	-	-	-	44,181
Health and sanitation	-	-	-	-	-	998,505	-	-
Culture and recreation	-	-	2,366	2,366	-	-	-	-
Transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 298,667</u>	<u>\$ 577,659</u>	<u>\$ 2,366</u>	<u>\$ 2,366</u>	<u>-</u>	<u>\$ 998,505</u>	<u>\$ 39,403</u>	<u>\$ 44,181</u>
Revenue over (under) expenditures	\$ 206,096	\$ (230,213)	-	-	\$ 43,556	\$ 18,231	\$ 27,462	\$ 18,823
Fund Balances, January 1	997	449,739	-	-	91,280	537,463	75,293	303,759
Operating transfers	(130,000)	-	-	-	-	-	-	-
Other Changes:								
Increase or (decrease) in reserves	-	16,593	-	-	-	113,455	-	(15,586)
Increase or (decrease) in compensated absences	<u>(673)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,635)</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 76,420</u>	<u>\$ 236,119</u>	<u>-</u>	<u>-</u>	<u>\$134,836</u>	<u>\$ 663,514</u>	<u>\$102,755</u>	<u>\$306,996</u>

SEWARD COUNTY, KANSAS

Schedule 3
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2010

	<u>Capital Equipment Reserve</u>	<u>Rural Fire Equipment</u>	<u>Special Highway Improvement</u>	<u>Noxious Weed Equipment</u>	<u>Road & Bridge</u>	<u>Road Machinery</u>	<u>Total Nonmajor Special Revenue</u>
<u>Revenues</u>							
Taxes	\$ 48	-	-	-	\$2,114,395	\$ -	\$2,958,784
Intergovernmental	-	-	-	-	-	-	873,300
Charges for services	-	-	-	-	-	-	316,861
Other	-	-	-	-	-	29,501	42,101
Total revenues	\$ 48	-	-	-	\$2,114,395	\$ 29,501	\$4,191,046
<u>Expenditures</u>							
General government	\$ 142,821	\$ -	\$ -	-	\$ -	\$ -	\$ 759,883
Public safety	-	107,502	-	-	-	-	450,350
Health and sanitation	-	-	-	-	-	-	998,505
Culture and recreation	-	-	-	-	-	-	4,732
Transportation	-	-	264,481	-	1,228,624	29,992	1,523,097
Total expenditures	\$ 142,821	\$ 107,502	\$ 264,481	-	\$1,228,624	\$ 29,992	\$3,736,567
Revenue over (under) expenditures	\$ (142,773)	\$ (107,502)	\$ (264,481)	\$ -	\$ 885,771	\$ (491)	\$ 454,479
Fund Balances, January 1	361,216	305,589	583,713	42,156	404,162	726,240	3,881,607
Operating transfers	310,000	130,000	400,000	-	(550,000)	150,000	310,000
Other Changes:							
Increase or (decrease) in reserves	50,000	-	-	-	-	-	164,462
Increase or (decrease) in compensated absences	-	-	-	-	(15,850)	-	(22,158)
Fund Balances, December 31	\$ 578,443	\$ 328,087	\$ 719,232	\$ 42,156	\$ 724,083	\$875,749	\$4,788,390

SEWARD COUNTY, KANSAS

Schedule 4-1

RURAL FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 494,737	\$ 492,493	\$ (2,244)
Back tax collections	1,500	1,625	125
Motor vehicle tax	<u>7,363</u>	<u>10,645</u>	<u>3,282</u>
Total revenue	\$ <u>503,600</u>	\$ <u>504,763</u>	\$ <u>1,163</u>
<u>Expenditures</u>			
Public Safety – Fire Protection:			
Personal services	\$ 144,204	\$ 139,990	\$ 4,214
Contractual services	143,600	126,239	17,361
Commodities	32,000	24,679	7,321
Capital outlay	<u>59,800</u>	<u>7,759</u>	<u>52,041</u>
Total expenditures	\$ <u>379,604</u>	\$ <u>298,667</u>	\$ <u>80,937</u>
Revenue over (under) expenditures	\$ 123,996	\$ 206,096	\$ 82,100
Other Financing Sources (Uses):			
Operating transfers (out)	(130,000)	(130,000)	-
Fund Balances, January 1	<u>6,004</u>	<u>16,234</u>	<u>10,230</u>
Fund Balances, December 31	<u>-</u>	\$ <u>92,330</u>	\$ <u>92,330</u>

SEWARD COUNTY, KANSAS

Schedule 4-2

COUNTY BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 316,379	\$ 312,043	\$ (4,336)
Back tax collections	1,100	3,878	2,778
Motor vehicle tax	<u>22,174</u>	<u>18,925</u>	<u>(3,249)</u>
Total taxes	\$ 339,653	\$ 334,846	\$ (4,807)
Other:			
Rent	<u>12,600</u>	<u>12,600</u>	<u>-</u>
Total revenue	\$ 352,253	\$ 347,446	\$ (4,807)
<u>Expenditures</u>			
General Government:			
Contractual services	<u>555,177</u>	<u>577,659</u>	<u>(22,482)</u>
Revenue over (under) expenditures	\$ (202,924)	\$ (230,213)	\$ (27,289)
Fund Balances, January 1	202,924	380,239	177,315
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>16,593</u>	<u>16,593</u>
Fund Balances, December 31	<u>-</u>	\$ <u>166,619</u>	\$ <u>166,619</u>

SEWARD COUNTY, KANSAS

Schedule 4-3

HEALTH – SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Sales tax	\$ 425,500	\$ 368,000	\$ (57,500)
Federal and state grants	408,081	438,435	30,354
Charges for sales and services	<u>200,000</u>	<u>210,301</u>	<u>10,301</u>
Total revenue	<u>\$1,033,581</u>	<u>\$1,016,736</u>	<u>\$ (16,845)</u>
<u>Expenditures</u>			
Health:			
Personal services	\$ 685,855	\$ 678,065	\$ 7,790
Contractual services	204,700	213,715	(9,015)
Commodities	155,000	99,701	55,299
Capital outlay	27,550	-	27,550
Technology	<u>15,447</u>	<u>7,024</u>	<u>8,423</u>
Total expenditures	<u>\$1,088,552</u>	<u>\$ 998,505</u>	<u>\$ 90,047</u>
Revenue over (under) expenditures	\$ (54,971)	\$ 18,231	\$ 73,202
Fund Balances, January 1	54,971	515,058	460,087
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>113,455</u>	<u>113,455</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 646,744</u>	<u>\$646,744</u>

SEWARD COUNTY, KANSAS

Schedule 4-4

COUNTY ATTORNEY DIVERSION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Diversion fees	\$ <u>50,000</u>	\$ <u>66,865</u>	\$ <u>16,865</u>
<u>Expenditures</u>			
General Government:			
Personal services	\$ 10,000	\$ 7,699	\$ 2,301
Contractual services	88,000	25,642	62,358
Commodities	16,000	4,871	11,129
Capital outlay	<u>-</u>	<u>1,191</u>	<u>(1,191)</u>
Total expenditures	\$ <u>114,000</u>	\$ <u>39,403</u>	\$ <u>74,597</u>
Revenue over (under) expenditures	\$ (64,000)	\$ 27,462	\$ 91,462
Fund Balances, January 1	<u>64,000</u>	<u>75,293</u>	<u>11,293</u>
Fund Balances, December 31	<u>-</u>	<u>\$102,755</u>	<u>\$102,755</u>

SEWARD COUNTY, KANSAS

Schedule 4-5

CAPITAL EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Back tax collections	\$ -	\$ 48	\$ 48
Other:			
Transfers – General	300,000	300,000	-
Transfers – Treasurer’s Special Auto	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total revenue	\$300,000	\$310,048	\$ 10,048
<u>Expenditures</u>			
General Government:			
Capital outlay	<u>344,584</u>	<u>142,821</u>	<u>201,763</u>
Revenue over (under) expenditures	\$ (44,584)	\$167,227	\$211,811
Fund Balances, January 1	44,584	361,216	316,632
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Fund Balances, December 31	<u>-</u>	<u>\$578,443</u>	<u>\$578,443</u>

SEWARD COUNTY, KANSAS

Schedule 4-6

ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$1,375,656	\$1,357,986	\$ (17,670)
Back tax collections	4,000	16,495	12,495
Motor vehicle tax	94,704	85,869	(8,835)
State of Kansas – Gas tax	650,077	621,398	(28,679)
County equalization	20,000	19,376	(624)
State of Kansas	<u>-</u>	<u>13,271</u>	<u>13,271</u>
Total revenue	<u>\$2,144,437</u>	<u>\$2,114,395</u>	<u>\$ (30,042)</u>
<u>Expenditures</u>			
Transportation:			
Personal services	\$ 644,003	\$ 600,386	\$ 43,617
Contractual services	157,400	105,564	51,836
Commodities	901,559	522,674	378,885
Capital outlay	450,000	-	450,000
Transfers – Special Highway and Equipment Funds	<u>-</u>	<u>550,000</u>	<u>(550,000)</u>
Total expenditures	<u>\$2,152,962</u>	<u>\$1,778,624</u>	<u>\$ 374,338</u>
Revenue over (under) expenditures	\$ (8,525)	\$ 335,771	\$ 344,296
Fund Balances, January 1	<u>8,525</u>	<u>491,311</u>	<u>482,786</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 827,082</u>	<u>\$ 827,082</u>

SEWARD COUNTY, KANSAS

Schedule 4-7

SPECIAL PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
State of Kansas	\$ 2,300	\$ 2,366	\$ 66
<u>Expenditures</u>			
Public Safety:			
Contractual services	<u>2,900</u>	<u>2,366</u>	<u>534</u>
Revenue over (under) expenditures	\$ (600)	-	\$ 600
Fund Balances, January 1	<u>600</u>	<u>-</u>	<u>(600)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>-</u>

SEWARD COUNTY, KANSAS

Schedule 4-8

SPECIAL ALCOHOLIC TREATMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
State of Kansas	\$ 2,300	\$ 2,366	\$ 66
<u>Expenditures</u>			
Public Safety:			
Contractual services	<u>2,900</u>	<u>2,366</u>	<u>534</u>
Revenue over (under) expenditures	\$ (600)	-	\$ 600
Fund Balances, January 1	<u>600</u>	<u>-</u>	<u>(600)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>-</u>

SEWARD COUNTY, KANSAS

Schedule 4-9

911 TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Charges for Services:			
911 tax	\$ 95,000	\$ 63,004	\$ (31,996)
<u>Expenditures</u>			
Public Safety:			
Capital outlay	<u>100,000</u>	<u>44,181</u>	<u>55,819</u>
Revenue over (under) expenditures	\$ (5,000)	\$ 18,823	\$ 23,823
Fund Balances, January 1	5,000	303,759	298,759
Other Changes:			
Increase or (Decrease) in Reserves	<u>-</u>	<u>(15,586)</u>	<u>(15,586)</u>
Fund Balances, December 31	<u>-</u>	<u>\$306,996</u>	<u>\$306,996</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Seward County Commissioners
Liberal, Kansas 67901

Compliance

We have audited Seward County, Kansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Seward County's major federal programs for the year ended December 31, 2010. Seward County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Seward County's management. Our responsibility is to express an opinion on Seward County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seward County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Seward County's compliance with those requirements.

In our opinion, Seward County, Kansas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

Internal Control over Compliance

The management of Seward County, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Seward County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seward County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over compliance that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Seward County, Kansas' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Seward County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Seward County Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

September 23, 2011

SEWARD COUNTY, KANSAS

Schedule 5SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2010

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Passed Through				
Kansas Department of Health and Environment:				
Women, Infant and Children	10.578	WIC 10.578	\$269,279	\$269,279
Breastfeeding Peer Counseling	10.578	BFPC 10.578	7,557	7,557
U.S. Department of Health and Human Services Passed Through				
Kansas Department of Health and Environment:				
Child Care Licensing and Registration Program	93.575	CCL 93.575	8,964	8,964
Family Planning	93.217	FP 93.217	38,853	38,853
HIV Counseling & Testing Program	93.118	AIDS 93.118	450	450
Public Health Emergency Preparedness and Response	93.069	BIO 93.069	15,319	15,319
Maternal and Child Health	93.994	MCH 93.994	42,740	42,740
WIC Immunization Collaboration	93.268	IMM 93.268	26,955	26,955
Immunization Action Plan	93.268	IMM 93.268	669	669
2009-2010 H1N1 Public Health Emergency Response Phases I & II	93.268	IMM 93.268	24,492	24,492
2009-2010 H1N1 Public Health Emergency Response Phase III	93.268	IMM 93.268	51,244	51,244
ARRA – Kansas Immunization Program	93.268	KIP-ARRA 93.268	2,245	2,245
U.S. Department of Homeland Security Passed Through				
Kansas Division of Emergency Management:				
Buffer Zone Protection Plan	97.078	BZPP 2009	137,857	137,857
Emergency Management Performance Grant	97.042	EMPG 2009	32,423	32,423
U.S. Department of Housing and Urban Development Passed Through				
Kansas Housing Resources Corporation:				
Emergency Shelter Grant	14.231	ESG-FFY2010	69,957	69,957
U.S. Department of Justice Passed Through Kansas Juvenile Justice Authority:				
Juvenile Accountability Block Grant	16.523	JABG-2010	44,965	44,965
U.S. Executive Office of the President Passed Through Kansas				
Bureau of Investigations:				
High Intensity Drug Trafficking Areas Program	95.001	HIDTA	343	343
U.S. Department of Justice Bureau of Justice:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>22,943</u>	<u>22,943</u>
Total Expenditures of Federal Awards			<u>\$797,255</u>	<u>\$797,255</u>

SEWARD COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2010

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Seward County, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note B: Subrecipient Grant Agreement

Seward County, Kansas provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Emergency Shelter Grant	14.231	\$ 69,957

Note C: Noncash Assistance and Cumulative Endowment Funds

Seward County, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2010.

Note D: Federal Loan or Loan Guarantee Programs

For the year 2010, there were no loans or loan guarantees outstanding at year end.

Note E: There was no interest subsidy received by Seward County, Kansas under a federal loan or loan guarantee program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion.
2. The following significant deficiencies in internal control disclosed by the audit of the financial statements were considered material weaknesses:

Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

3. No instances of noncompliance material to the financial statements of Seward County, Kansas were disclosed during the audit.
4. The following significant deficiencies relating to the audit of the major federal awards were considered material weaknesses:

Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

5. The auditor's report on compliance for the major federal award programs for Seward County, Kansas expresses an unqualified opinion.
6. There were audit findings relative to the major federal award programs for Seward County, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:
 - Women, Infant and Children CFDA #10.578
 - Breastfeeding Peer Counseling CFDA #10.578
 - Buffer Zone Protection Plan CFDA #97.078

SEWARD COUNTY, KANSAS

Schedule 6
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

A. SUMMARY OF AUDIT RESULTS (Continued)

8. The threshold for determining type A and B programs was:

Type A – the larger of \$300,000 or 3% of total federal awards expended

Type B – any programs that do not meet type A criteria specified above

9. Seward County, Kansas was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS

Reportable Condition

2010-1. Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

2010-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation

Hire staff who are capable of preparing and understanding financial statements.

Implement a purchase order system in order to track budget and encumbrance records.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

SEWARD COUNTY, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2010

Finding 2009-1: Financial Statement Presentation

Condition: This finding was a material weakness stating that the County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles.

Recommendation: The auditor recommended hiring staff who are capable of preparing and understanding the financial statements.

Current Status: The recommendation was not adopted, and a similar finding is noted in the 2010 audit.

Finding 2009-2: Purchase Order System

Condition: This finding was a material weakness stating that no purchase order system is in place, contributing to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation: The auditor recommended implementing a purchase order system.

Current Status: The recommendation was not adopted, and a similar finding is noted in the 2010 audit.

CORRECTIVE ACTION PLAN

September 23, 2011

Seward County, Kansas respectfully submits the following corrective action plan for the year ended December 31, 2010.

Name and address of independent accounting firm:

Hay•Rice & Associates, Chartered
PO Box 2707
Liberal, KS 67905-2707

Audit period:

January 1, 2010 – December 31, 2010

The findings from the December 31, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Reportable Condition

- 2010-1. Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.
- 2010-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation

Hire staff who are capable of preparing and understanding financial statements.

Implement a purchase order system in order to track budget and encumbrance records.

Corrective Action Taken

Seward County, Kansas will work toward hiring staff capable of preparing and understanding the financial statements and implementing a purchase order system.

If the Oversight Agency has questions regarding this plan, please call April Warden at (620) 626-3300.

Sincerely yours,

The Board of County Commissioners
Seward County, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Seward County, Kansas for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 15, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Seward County, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of County Commissioners and management of Seward County, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

September 23, 2011